



## **TRS: 2013 LEGISLATIVE SUMMARY**

### **FUNDING PROPOSAL – Required Rate Increase is 4.89% (HB 112 – Rep. Jean Price)**

#### **Current Members:**

Effective July 1, 2013, adds a 1% *supplemental* employee contribution to the current employee normal rate of 7.15%, for an aggregate contribution rate of 8.15%. The supplemental contribution provision includes triggers to reduce/eliminate the supplemental contribution as the retirement system returns toward actuarially sound funding.

#### **New Members:**

Members joining TRS on or after July 1, 2013, would see the most changes from the funding proposal:

- Normal contribution rate of 8.15% with triggers for supplemental increases up to a total of 1% if necessary in future.
- Full benefits at age 60 with 5 full years - or age 55 with 30 or more years - of service.
- Early retirement eligibility at age 55 with at least 5 full years of service
- Average final compensation increased to 5 years instead of 3.
- Multiplier increased to 2% for members age 60 and older with at least 30 full years of service.
- Eligibility for disability benefits would be limited to members not eligible for unreduced retirement benefits.
- Unreduced survivor benefits limited to beneficiaries of members who die while an active member or within one year of leaving active service.

#### **Employers:**

- Add a 1% *supplemental* employer contribution to the current employer rate of 7.47% for school districts, and 9.85% for state agencies and the university system. The aggregate contribution rates will be 8.47% and 10.85%. The supplemental contribution provision includes triggers to reduce/eliminate the supplemental contribution as the retirement system returns toward actuarially sound funding.

#### **State Contribution:**

- Annual \$25 million payment to TRS from state land trust revenues.

### **MUS EMPLOYER SUPPLEMENTAL RATE INCREASE (HB 90 – Rep. Jesse O'Hara)**

- Pursuant to §19-20-621, MCA, the supplemental employer contribution rate made by MUS employers must increase from 4.72% to 9.04% in order to pay their share of TRS unfunded liabilities after TRS was closed to new entrants in the university system.
- If the MUS supplemental rate is increased the full amount, the actuarially required contribution rate to fund TRS would be *reduced* from 4.89% to 3.94%.

### **BREAK IN SERVICE (HB 78 – Rep. Keith Regier)**

- TRS members who terminate employment on or after January 1, 2014, would be required to have a 180 day break in service before they are eligible to return. This only includes employment in a position eligible to participate in TRS.
- Members who are currently retired, or who retire based on a termination date before January 1, 2014, will *not* be affected.
- Substitute teachers may be excepted as long as they work no more than 30 days during the break in service period.

### **HOUSEKEEPING (HB 54 – Rep. Pat Ingraham)**

- Clarify the terms "position reportable to the retirement system" and "termination of employment."
- Clarify when a member is in retired member status and eligible for post-retirement employment.
- Amend the definition of normal retirement age and provide for non-forfeiture of benefits upon attainment of normal retirement age in conformity with IRS qualification standards.
- Provide for jurisdiction and venue for judicial review in the first judicial district court.



**Teachers' Retirement System  
State of Montana  
Cost Exhibit – HB 90 & HB 112**

All calculations are based on the July 1, 2012 member and asset data (All Dollar Values are in Millions)

	(1) July 1, 2012 Valuation	(2) HB90	(3) HB112 as of July 1, 2013 (8.15% Member Contribution)*	(4) HB112 & HB90 as of July 1, 2013 (8.15% Member Contribution)*
Present Value of Future Benefits	\$5,402.3	\$5,402.3	\$5,415.9	\$5,415.9
Present Value of Future Normal Cost	(587.6)	(587.6)	(599.9)	(599.9)
Actuarial Accrued Liability	\$4,814.7	\$4,814.7	\$4,816.0	\$4,816.0
Actuarial Value of Assets	2,852.0	2,852.0	2,852.0	2,852.0
Unfunded Actuarial Accrued Liability	\$1,962.7	\$1,962.7	\$1,964.0	\$1,964.0
Total Normal Cost Rate	9.65%	9.65%	9.83%	9.83%
Employee Contribution Rate	(7.15)%	(7.15)%	(8.15)%	(8.15)%
Employer Normal Rate	2.50%	2.50%	1.68%	1.68%
Employer Statutory Contribution Rate				
Normal Rate	2.50%	2.50%	1.68%	1.68%
UAAL Amortization Rate	7.46%	7.46%	9.28%	9.28%
Total Rate	9.96%	9.96%	10.96%	10.96%
Amortization Period (Years)	Infinite	82	37	31 **
Required contribution rate increase effective July 1, 2013, 30-year amortization period	4.89%	3.94%	1.11%	0.16%

\* Requires additional recurring \$25 million per year in State funding beginning July 1, 2013

\*\* Over time, the addition of a second tier DB benefit structure for new hires with a lower cost will accelerate amortization of the unfunded liability, resulting in a 27 year amortization period.

